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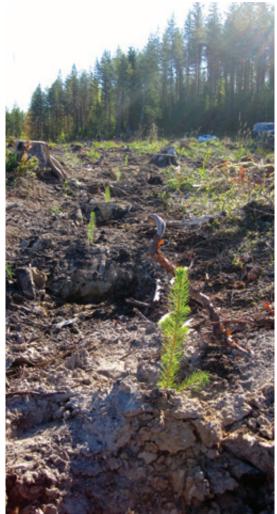
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Tornator in brief.

Tornator Oyj is the third largest forest owner in Finland with about 600,000 hectares of forestland. Tornator Oyj is part of the Tornator Timberland Group. Besides its forests in Finland, the Tornator Timberland Group owns about 50,000 hectares of forest in Estonia and Romania.

Tornator employs about 200 people, mainly in Finland. The Group's net sales are more than EUR 90 million and total balance sheet value about EUR 1.2 billion.

The company's main business is wood production and the sale of cutting rights. It also provides forest management services and sells holiday home plots.

Financial review

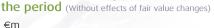
Tornator's net sales increased by some 4.6 percent from the previous year, being EUR 90.7 million (86.7). Operating profit without the change in the fair value of forests was EUR 62.6 million (65.5), or 69.0 percent of net sales (75.6). Tornator's net operating income remained strong, EUR 29.6 million without fair value changes (31.7). In 2014, the company paid its shareholders a total of EUR 22 million in dividends (63).

Operationally, the past year went as planned. Tornator's business objectives were achieved. There were challenges due to an exceptionally mild winter and the storm damage in Eastern Finland. Problems with sawn timber sales resulted in limited sawlog deliveries, but this was successfully compensated by a well-functioning pulpwood market. Fortum's pyrolysis oil production in Joensuu was delayed, which was seen in Tornator's increasing biomass inventories.

Land sales and other real estate business met their targets, although the plot market remained slow. In Estonia, the area of Tornator's forestlands increased from 25,000 to 41,000 hectares. At the moment, Tornator is Estonia's largest private landowner.

The award of an FSC certificate for Tornator's forests was a significant achievement for the company.

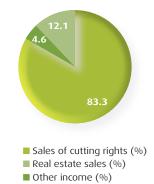
Net sales, operating profit and profit for



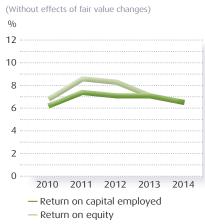


Key figures (Without effects of fair value changes)	2010	2011	2012	2013	2014
Net sales (€m)	70.8	77.7	82.9	86.7	90.7
Operating profit (€m)	52.5	65.2	63.1	65.5	62.6
Operating profit (% of net sales)	74.2	83.8	76.1	75.6	69.0
Profit for the period (€m)	27.3	35.7	35.4	31.7	29.6
Profit for the period (% of net sales)	38.6	45.9	42.7	36.5	32.7
Average number of employees	193	197	211	216	217
Return on capital employed (%)	6.2	7.4	7.1	7.1	6.5
Return on equity (%)	6.8	8.6	8.3	7.0	6.5
Equity ratio (%)	41.8	41.9	40.1	43.0	37.2

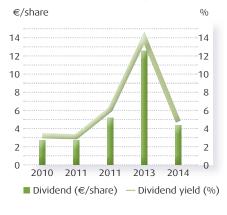
Cash flow from operations 2014



ROCE and ROE



Dividend and dividend yield



Profit for the period

(Without effects of fair value changes)



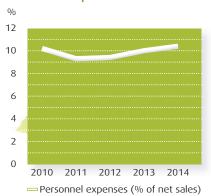
Valuation of forests



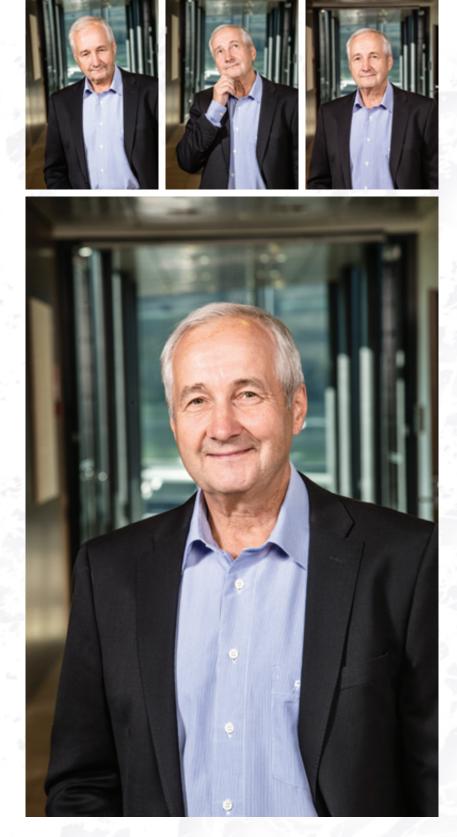




Personnel expenses



 Tornator Oyj
 –
 Annual Report 2014
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Generating sustainable well-being from the forest

Expectations for 2014 were high, after the record-high financial results and output volumes of the previous year. Net sales exceeded the challenging budget set for the year, whereas operating profit fell somewhat from the previous year. Significant investments in finalising the ERP system, acquiring and processing laser data of the forests and implementing the FSC certification project added to expenses. The investments were necessary to improve the business.

Operationally, the year 2014 went relatively well despite the difficult harvesting conditions early on. Besides the mild winter, challenges were presented by the harvesting of about 100,000 cubic metres of storm-felled timber during the summer. Artificial regeneration and tending of seedling stands were carried out as budgeted.

Demand for wood remained high except at the end of the year. Shutdowns of sawmills and restructuring of production at pulp mills decreased sales, which was reflected in declining stumpage prices towards the end of the year.

In real estate, several new agreements for wind power projects were signed during the year. If the projects proceed as planned, in a few years there will be 100–200 wind turbines in operation on Tornator's land. Demand for holiday home plots remained low but was balanced by other land sales.

Tornator's Romanian subsidiary has improved its financial performance year after year. The income received from the sale of forest service products is a great supplement to the timber business. Also the Estonian subsidiary did well operationally, despite the poor sales of pulpwood towards the end of the year. In Estonia, significant forestland acquisitions were made: with its 41,000 hectares of land, Tornator is now Estonia's largest landowner after the Estonian State. A tighter network of forest estates facilitates operating on the Estonian timber market as well as the management of the estates.

Due to a favourable situation in the financial markets, Tornator brought forward the refinancing of its bank debt. By renewing the loan agreements, the company extended the maturities of its loans and achieved substantial savings in future interest expenses. The members of a training programme established in 2013, the Future Team, got off to a good start during the reporting year, for example by developing the service business. Tornator's organisation was rearranged by streamlining the Strategic Management Group down to four members and by setting up a 10-member Operational Management Group. The redistribution of roles and tasks is intended to give additional boost for the coming years.

The adoption of the new Forest Act did not bring changes to our operations. Tornator has already complied with PEFC certification and the Best Practice Guidelines for Forest Management. Future operations will be enhanced by the FSC certificate received in November, the aim of which is to ensure that the demand for Tornator's wood remains high and the customers' needs are served even better than before.

The wood-processing industry came through the past year very well, being one of the most successful sectors in the country. Especially the packaging and pulp industries did well. However, the sawn timber market was affected by the strong euro, slow construction in Europe and the hardship of the North African countries.

The forest industry's investment decisions, the first of which will be realised and launched in autumn 2015, will improve the sales of coniferous pulpwood.

I believe that wood processing will keep going strong in 2015, despite the slump at the turn of the year. The fall of the euro against the dollar and the declining oil price will provide an extra boost and economic activity to the market.

The preparation for FSC certification was Tornator's single most demanding effort during the reporting year, for which I would like to extend my deepest gratitude to all of our employees and everybody else involved.

Imatra, 4 February 2015

AL. Arto J. Huurinainen

Chief Executive Officer



Vision

Tornator is an internationally respected forestry company.

Mission

Generating sustainable well-being from the forest.

Values

The company values are team spirit, willingness to change, performance and responsibility.

Team spirit • ability and will to work together

Willingness to change • readiness to adopt new ways of doing things

Performance • working towards the targets

Responsibility • for quality of work, the environment and relationships with stakeholders

Vision, mission, value

Thategy

Strategy

Tornator fully utilises forest resources and land property according to principles of sustainability.

Tornator fully utilises expert knowledge and human resources in forest investment and services.

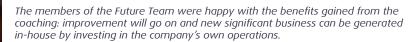
Tornator expands internationally in co-operation with well-considered partners, leading to economies of scale and synergy benefits.

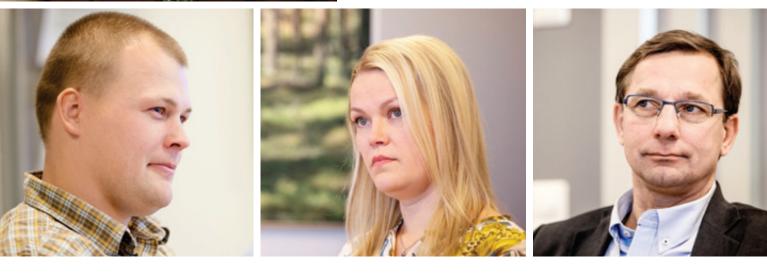






Working on the Future Team were (above, from left) Kauko Kärkkäinen, Resource Manager; Aleksi Vanninen, Forest Management Superintendent; Matti Kuusisto, Regional Manager; Zoltán A. Kósy, Country Manager; Jarkko Heikkinen, Real Estate Super-intendent; Maarit Sallinen, Forestry and Environmental Manager; and Juha Immonen, Manager, Service Business Development. The team's ideas dealt with topics such as the utilisation of employee competence, the service business, customer orientation in timber sales and bioenergy.





Future Team

During the reporting year, Tornator established a development programme to look for a direction for the future, also called the Future Team. The coaching company Trainers' House was selected as the partner for the programme.

The members of the Future Team were selected from Tornator's various functions, including employees with different backgrounds, who were both able and willing to focus on developing the business and to challenge the Strategic Management Group to tackle future-oriented strategic issues.

The team was divided into two groups, and each group was given an operational and a strategic task.

The **operational task** was to determine the current status of employee competence and to prepare a proposal to develop it in line with the company's vision and strategy. The team arranged a CV survey for salaried employees, outlining everybody's educational and work history as well as special skills, which will also serve the HR management as a tool in internal recruiting. In addition, employees were interviewed to explore their thoughts about the company, and this generated many good ideas to improve the organisation and operations.

The Future Team's **strategic task** was to think of the company's success factors, such as maintaining and increasing competitiveness. The objective was to seek new profitable business opportunities by identifying and utilising current megatrends in the industry. The team also discussed how the service business could be developed from these perspectives by moving from highly competitive sectors to those where Tornator has greater advantage. According to the team, improvement opportunities must be sought in all of the company's functions.

The goals set for the Future Team by the Strategic Management Group were defined along the way, and the team members were happy with the group dynamics. Despite the challenges, the members felt that through teamwork they had learned how to prioritise things and work under pressure.

The benefits of the coaching did not end with the Future Team's work – improvement will go on! \blacksquare



Anders Portin, Managing Director, Finnish Forest Association:

"I firmly believe in the future of forest use."

Anders Portin, who started as Managing Director of the Finnish Forest Association in August 2014, thinks that forest well-being should be looked at from a wide perspective: sustainable use of forests provides solutions to many issues in the society, whether for economy or recreation.

He firmly believes in the future of forest use, especially of the Nordic and European forests. The depressing news of mill closures in recent years does not shake Mr Portin's belief; Europe has 300 million people who continuously need new products and services with the rising standard of living. Renewable natural resources, such as forests, have an advantage here. "It is not ecologically sustainable to produce, say, biofuels using raw materials that compete with food production." The potential of forests in combating climate change should be taken seriously. The carbon sink formed by forests already sequesters a great deal of the fossil carbon dioxide emissions. In fact, forests could take care of about one quarter of the required global reduction of atmospheric greenhouse gases.

"The world's population has more than doubled in 50 years and the trend goes on. Even though the area of the Asian forest plantations will be doubled in the next 50 years, the consumption of wood fibre will increase even faster, for example due to the growth of the middle class in China. One third of the world's wood fibre needs are met by plantation forests, but our forests will also be needed for this in the future."

Wood is a renewable raw material whose future and potential uses are also actively studied. Wood is already used as a raw material for a multitude of new products, from textiles to toothpaste and medicines, and a lot of resources are allocated to its research. Mr Portin also stresses the importance of wood construction which is really taking off and may grow tenfold this year.

Finnish large forest owners use excellent, systematic forest management practices that produce more wood than is harvested. The industry needs wood continuously – and it is about the road network that Mr Portin puts a challenge to the Finnish Transport Agency to keep timber transport moving in the future as well. Even though imports, which the Russian timber duties reduced to zero at best, are slightly picking up, he does not believe that they will return to the volumes of the past. "Russian imports are a good supplement, but it is best to procure the timber in Finland."

The Finnish Forest Association is a co-operation body for its members and stakeholders, and it operates in communications. The Forest Association supports the promotion of forest sector interests, brings forth topical possibilities forests can have in developing the society, strengthens the sustainable and responsible use of forests using communications, and anticipates the effects that changes at home and abroad can have on the Finnish forest sector. The Forest Association is active and anticipatory in public discussions about the forest sector. Tornator Oyj is a member of the Finnish Forest Association through the Finnish Forest Industries Federation.

Business environment

Timber sales were good

In 2014, the Finnish Forest Industries Federation's (FFIF) member companies purchased a total of 31.1 million cubic metres of wood from privately owned forests. The volume remained 7 percent lower than in the previous year, but it was 2 percent higher than the average of the past ten years. Sales at delivered price totalled 5.8 million cubic metres, and their share increased from 15 percent in the previous year to 19 percent. About three quarters of these sales were pulpwood. In a sale at delivered price, the forest owner delivers the timber to the roadside.

usiness en vironmen,

Wood prices slighty down

The industry purchases included a total of 13.7 million cubic metres of sawlogs and 16.3 million cubic metres of pulpwood. The average stumpage price of pine sawlogs remained at the previous year's level. The stumpage price of spruce sawlogs decreased by one percent and birch logs increased by one percent. The prices of pine and birch pulpwood decreased by one percent and spruce pulpwood by 2 percent. (Source: Finnish Forest Industries Federation, 13 January 2015)

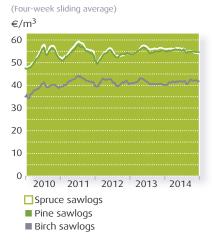
Forest industry reported significant investments in Finland

In spring 2014, large forest products companies reported significant investment plans in Finland, with a total value of EUR 1.4 billion. Metsä Group is planning a new bio-product mill in Äänekoski, Stora Enso will convert a fine paper machine at Varkaus to produce corrugated board raw material, and UPM will increase the capacity of the Kymi pulp mill. When realised, these investments will substantially increase the consumption of wood and the share of renewable energy in Finland. They will also help create jobs, timber sales income and well-being across regional boundaries.

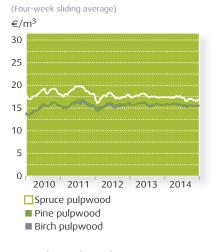
Laws and guidelines revised

Effective from the beginning of 2014, the revised Forest Act increased forest owners' freedom of choice when making decisions about the management of their forestland. The law became more permissive, removing the diameter and age limits for forest regeneration and enabling uneven-aged management. However, the new law did not bring significant changes to Tornator's forest management practices.

Sawlog stumpage prices in Finland



Pulpwood stumpage prices in Finland



Roundwood markets in private forests in Finland

(FFIF members) (Covers 83% of all timber sales in Finland)



The Act on Biofuels and Bioliquids, which entered into force in summer 2013, is also applicable to Tornator regarding wood deliveries to Fortum's pyrolysis plant.

Along with the new Forest Act, the Forestry Development Centre Tapio revised its Best Practice Guidelines for Forest Management. Tornator participated as a stakeholder in the revision work and updated its own forest management guidelines accordingly.

Changes in advisory organisations

Restructuring of private forestry development and advisory organisations continued in 2014, including the incorporation of the Forestry Development Centre Tapio. At the end of the year, regional forest owners' unions were dissolved and the mandatory forest management fee was removed. This change puts forest management associations on an equal footing with other service providers.





Review of the business

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Tornator had a stable year: market and sales fluctuations were levelled out by the long-term agreements. The decline in paper demand had no significant impacts on Tornator's deliveries.

Tornator's core business is the sale of wood raw materials to the forest industry. In the reporting year, Tornator's net sales were EUR 90.7 million (86.7). Timber deliveries totalled some 2.8 million cubic metres (2.8), EUR 79.2 million (76.6). The share of land sales income was EUR 10.8 million (9.3).

Successful growth investments in Estonia

In Estonia, Tornator's subsidiary Tornator Eesti OÜ increased its land holdings significantly by closing a deal on more than 13,000 hectares with an international forestland fund. All in all, more than 16,000 hectares of forestland was acquired in 2014, now totalling some 41,000 hectares. Tornator Eesti OÜ is Estonia's largest landowner after the Estonian State.

Optimising long-term productivity

Tornator aims to optimise the yield of the forests in the long term. This is ensured by performing silvicultural work on time and by steadily selling wood according to a sustainable annual cut. The felling volumes in Tornator's forests in Finland are based on the sustainable annual cut of 2.4 (2.4) million cubic metres.

The annual increment of the growing stock is 2.7 (2.7) million cubic metres, i.e. the timber reserves are increasing each year. Tornator's forestlands comprise 590,000 hectares in Finland, 41,000 hectares in Estonia and 12,000 hectares in Romania.

Agreement on laser scanning data

Tornator started to acquire forest resource information based on laser scanning in 2012. An agreement signed with Blom Kartta Oy in 2014 will secure comprehensive data on Tornator's forestlands throughout Finland by the end of 2016. More accurate data will enable the company to optimise its forest resources and to focus fellings as well as to intensify planning in the field.

Timber inventory management system

In order to monitor wood products to be delivered, an inventory management system was created in order to control timber inventories from the company's own harvesting. The system shows how much crosscut and chipped wood is ready in storage on the roadside, at terminals and mills.

Information systems - more of an asset to the business

The busine

In order to ensure application development, information system development responsibilities were transferred to those in charge of the business. The new approach is essentially business-driven. In addition, a survey of the current status of the information systems function was commissioned, aimed at identifying the areas in most need of improvement. Another goal of the survey was to determine a reasonable cost level at which the opportunities of information technology can be harnessed to develop the business.

Land sales on target

Land sales income totalled EUR 10.8 million (9.3), including EUR 8.0 million in profit (7.5). Revenues from the sale of soil resources and various lease and licence agreements totalled EUR 2.2 million (2.0). In addition to the holiday home plots and Northern Finland forest estates, Tornator sold land areas for example to the Finnish Defence Forces as well as to municipalities for recreation and raw land.

The sales of waterfront plots decreased further due to the stagnant economy. Tornator updated its plot marketing application; now the plots for sale can also be browsed on mobile devices, which makes it easier to check the plot details even on the site.

Hunting leases renewed

During the reporting year, Tornator renewed all of the hunting leases on its forestlands, some 1,200 in total. The leases are now valid for the time being and their terms have been standardised.

Wind power opportunities being explored

The objective of the wind power business is to make wind power lease income a significant business by the year 2020. In 2014, a major project development agreement was signed with Nordisk Vindkraft of Sweden, in addition to several smaller, direct land lease agreements. By the end of the year, Tornator's wind power portfolio included projects at different stages of development for a total of more than 200 wind turbines.







Environmental and corporate responsibility

Tornator's greatest effort in sustainable forestry in 2014 was the preparation for FSC[®] forest certification. After being awarded the certificate at the end of the year, Tornator is the largest FSC certificate holder in Finland. In fact, Tornator's forests are now certified under two certificates as it already held the PEFC certificate (Programme for the Endorsement of Forest Certification).

The FSC certificate is an investment in the future

For Tornator, FSC certification is one way of securing the demand for wood also in the future, besides being a response to the customers' needs. FSC-compliant operations started in the company's forests on 1 July 2014. The initial audit was conducted in August in three different locations. Among other things, the auditors toured Tornator's sites, meeting forest workers and contractors, and comprehensively discussing the company's guidelines and practices. The audit concluded that the company complies with the certification requirements. Tornator was awarded the FSC certificate in November 2014.

The new certification did not bring changes to forest management practices as such; it is mainly differences in emphasis. The FSC puts special emphasis on ecology and stakeholder consultation.

FSC involves extensive reporting

Compliance with the FSC criteria also requires a great deal of information management solutions. The system was updated by creating more elements describing biodiversity, automatically generating new forest compartments as water protection zones, and preparing a number of different map layers that enable the integration of external geographic data sets when planning operations. During the year, special emphasis was also given to the selection of sites to be protected as well as employee training, while developing the reporting to demonstrate compliance with the criteria.

Environmental management targets were met

The year 2014 was successful in terms of environmental management. The business was not disturbed despite extensive changes in the ways we work.

Tornator developed an electronic feedback system to manage feedback sent to the organisation as well as to assign and schedule tasks related to them. In this way, all the feedback will be appropriately handled and closed.

Corporate and environmental responsibility programme – a tool to improve operations

Tornator prepares annually a corporate and environmental responsibility programme, based on the continuous improvement principle, and used to monitor and improve operations to be more and more responsible. The programme includes a list of key improvement actions and those responsible for them.

In 2014, the programme gave attention to securing the viability of forests, to the environmental competence of employees and contractors, and to the identification of safety risks at old dwelling sites. In addition, efforts were devoted to the communication of corporate and environmental responsibility as well as the assessment of the ecological and social impacts of operations.

Nature management was successful

During the reporting year, Tornator commissioned an evaluation of nature management quality to the Forestry Development Centre Tapio in randomly selected regeneration areas. According to the results, the overall quality of nature management was good or excellent in 95 percent of Tornator's forests.

Communication with stakeholders

In 2014, Tornator took a more active role in discussing with ENGOs and local stakeholders on biodiversity preservation and forest conservation.







Tornator continues with METSO conservation programme

METSO is a voluntary conservation programme aimed at increasing the amount of forested conservation areas and safeguarding forest biodiversity. Tornator has been actively involved in its implementation. At Tornator's initiative, 11 METSO conservation areas were established on company land in 2014, totalling some 330 hectares. The sites include heathland forests with plenty of decaying wood, spruce mires, pine mires as well as woodlands adjacent to small water bodies. All in all, there are about 1,000 hectares of METSO conservation areas on Tornator's land.



Corporate responsibility is everyday work

According to one definition, corporate responsibility starts where legal requirements end. At Tornator, corporate responsibility means that each employee works and thinks in a socially, economically and ecologically responsible manner: we take responsibility for our actions, our environment and our employees.

At Tornator, corporate responsibility is seen as a part of risk management: by acting responsibly we can avoid mistakes. At the same time, we strive for higher productivity and quality. It is essential that as soon as deficiencies are found they are identified and corrective action is taken immediately. We try to identify and reduce various risks by assessing the impacts of our operations locally and globally. Through our corporate and environmental responsibility programme, we are also committed to creating best practices for the industry with ambitious goals.

Corporate responsibility is, above all, securing the future scope for action. The Group provides work for hundreds of people in sparsely populated areas, both employees and contractor workforce. We give special attention to work ability and occupational safety, and have adopted safety indicators to monitor their implementation. We have also firmly promoted safety aspects in the operations of our subsidiaries in Estonia and Romania.

Tornator has a large tax footprint: in the last few years, we have been the largest payer of corporation tax in South Karelia and among the 40 largest in Finland.

We work hard every day to redeem our corporate promise: "responsible expertise in forestry". ■

Tornator's subsidiaries in Estonia and Romania

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In Estonia, Tornator's subsidiary Tornator Eesti OÜ increased its land area significantly by closing a deal on more than 13,000 hectares with an international forestland fund. In 2014, a total of more than 16,000 hectares of forestland was acquired, now totalling some 41,000 hectares. Tornator Eesti OÜ is Estonia's largest landowner after the Estonian State.

The company's net sales were some EUR 2 million, up more than 20 percent from the previous year. Despite the growth in business, the number of Tornator Eesti OÜ's own employees did not change during the year. In addition to the four salaried employees, Tornator provides work for eight local forestry contractors who are responsible for planning and supervision of silvicultural work and the sales of cutting rights. The performance of silvicultural work has been outsourced to more than twenty contractors.

The TornaApps ERP system has proved its worth also in Estonia. Obvious cost benefits have been achieved in silvicultural work, due to the employees' hard work as well as the TornaApps solutions. Thanks to more accurate forest resource management, it has been possible to improve financial reporting and operational planning. At the end of the year, new functions related to timber sale and fieldwork were introduced.

In Romania, SC Tornator SRL's forest area in 2014 was 12,000 hectares and annual felling potential some 70,000 cubic metres. The company also provided forest management services to German forestland investment funds, Oituz commune and other local forest owners.

The company's net sales exceeded EUR 3 million, up more than 30 percent from the previous year. The improved performance was due to a successful transfer of operational responsibility to local management and a timber market that recovered from the recession. The higher demand and prices for roundwood were largely due to the production capacity expansions at board mills and sawmills implemented in 2014, as well as greenfield investments in a woody biomass based power plant and an integrated sawmill and biomass plant. Compared to Finland, Romania's forest growth per hectare is about 2.5-fold, which is why the biomass potential in the region is high.

The company received substantial support from the EU structural funds for a 19-kilometre forest road investment on its Oituz forest estate. In addition, the first phase of the TornaApps project in Romania was launched in summer 2014, and the second phase, timber sale, will be implemented in 2015.

The Chamber of Commerce and Industry of Romania selected SC Tornator SRL as the top forestry company in the country in 2014.









Corporate governance

Ownership and corporate structure

In 2014 the **Tornator Timberland Group** included, besides the parent company Tornator Oyj in Finland, Tornator Eesti OÜ in Estonia and SC Tornator SRL in Romania. All three companies own forestlands and practise operational forestry.

The owners of **Tornator Oyj** are Finnish investors, mostly institutions. There are 11 shareholders.

Governance principles

Tornator's governing bodies are: the Annual General Meeting, the Board of Directors and the Chief Executive Officer assisted by the Management Group. The Boards of Directors of the foreign subsidiaries are comprised of representatives of parent company management.

Annual General Meeting and Board of Directors

The **Annual General Meeting** is the highest decisionmaking body in Tornator Oyj, deciding on matters laid down in the Finnish Companies Act. The AGM is held once a year, in May at the latest, on a date determined by the company's **Board of Directors.**

The Board of Directors consists of 4–7 ordinary members, elected by the AGM for one year at a time. The AGM also elects a personal deputy for each member.

The Board of Directors supervises Tornator's operations and management, deciding on significant matters concerning the company strategy, investments, organisation and finance. The Board of Directors convenes at least four times a year. In 2014 the Board had nine meetings.

Committees

Tornator has two committees. The **Oversight Committee's** job is to oversee significant agreements between the company and the shareholders. It works under the Board of Directors which elects three of its members on it for one year at a time. The Oversight Committee convenes and reports to the Board at least twice a year.

Tornator Timberland Group, 31 December 2014

	11 shareholders		
	Torpator Ovi		
	Tornator Oyj Finland 590,000 ha		
_			
	SC Tornator SRL	Tornator Eesti OÜ	
	Romania 12,000 ha	Estonia 41,000 ha	
	Tornator Oyj / shar	eholders %	
	Tornator Oyj / share	eholders % 41.0	
		41.0	
	Stora Enso Oyj	41.0 n Insurance Company 16.9	
	Stora Enso Oyj Ilmarinen Mutual Pension	41.0 n Insurance Company 16.9 surance Company 13.1	
	Stora Enso Oyj Ilmarinen Mutual Pension Varma Mutual Pension Ins	41.0 n Insurance Company 16.9 surance Company 13.1 urance Company 6.3	
	Stora Enso Oyj Ilmarinen Mutual Pension Varma Mutual Pension Insu Etera Mutual Pension Insu	41.0 n Insurance Company 16.9 surance Company 13.1 urance Company 6.3	

Also under the Board of Directors, there is a **Remuneration Committee** on which the Board elects two of its members for one year at a time, and which convenes and reports to the Board as necessary.

Chief Executive Officer and Management Group

Tornator's Board of Directors appoints the **Chief Executive Officer.** The CEO is responsible for the company's financial performance and for organising business operations and administration according to legislation as well as instructions and orders issued by the Board. The CEO's task is to provide information to the Board on things such as the company's financial situation and changes in the business environment. The CEO is also responsible for key customer relationships.

The CEO is assisted by the **Strategic Management Group.** In 2014 the Management Group included four members. The CEO acts as the Chairman of the Management Group. The Management Group is responsible for the practical implementation of the strategy determined by the Board of Directors. The Management Group meets at about one month's intervals and always when necessary. In 2014 the Management Group had seven meetings. In addition to the **Strategic Management Group**, the company has an Operational Management Group made up of experts of various functions, with the task of assisting the Strategic Management Group in deploying the strategy. The Operational Management Group includes ten members, and its representatives are invited to the Strategic Management Group's meetings as necessary.

Operational activities

In Finland, operational activities are divided regionally between **five forestry teams.** The teams are responsible for performing tasks in their respective regions to meet the strategic goals set with company management.

Abroad, **Country Managers** are responsible for organising operational activities and reporting on them to the parent company.

Remuneration

The Annual General Meeting decides on the remuneration for the Board of Directors. The Chairman and members of the Board are paid an annual fee. The Board of Directors decides on the remuneration for the Chief Executive Officer and the members of the Strategic Management Group, consisting of a fixed monthly salary and an incentive bonus based on individual performance. The Management Group is also covered by a long-term monetary incentive scheme.

Auditors

The Annual General Meeting elects the authorised public accountants for one year at a time. Tornator's auditors are Deloitte & Touche Oy with Jukka Vattulainen, APA, as principal auditor since 2011.

The parent company's auditors are responsible for planning, co-ordinating and supervising the audit of the whole Group. An audit plan is prepared annually in co-operation with corporate management. The auditors report to the parent company's Board of Directors at least twice a year.

Risk management

Tornator's risk management is aimed at securing profitable business in the long term and to create opportunities for well-managed risk taking using the selected strategy. It is based on systematic identification and analysis of all significant risks to the company.

Tornator's forestlands in Finland



Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks. Examples of each category are described below.

Strategic risks / Tornator sells most of its cutting rights to a single customer. This creates a risk exposure that is managed with special attention.

In Finland, wood demand has traditionally exceeded domestic supply, as indicated by the significant volumes of wood imports for many years. The company has also built good relationships with a number of medium-sized woodprocessing companies and operators in the energy sector. About 35 percent of the Group's net sales come from companies other than the main customer.

Fluctuation of wood prices is a significant risk factor in terms of Tornator's results. If prices go down, Tornator can temporarily increase the volume of cutting right sales or plot and forestland sales or both. However, the company aims to follow the sustainable annual cut, thereby trying to optimise annual cash flows in the long term.

Risks concerning roundwood quantity and quality are controlled through long-term forest resource management planning and focusing operations according to the structure and age-class distribution of the forests. To support planning, Tornator regularly commissions an independent study on the structure of company forests, using it to prepare a long-term cutting plan (more than 30 years). The latest forest inventory by the Finnish Forest Research Institute and the cutting budget based on it are from 2011. Changes in current certification criteria or the adoption of a new certification system may affect opportunities for forest utilisation and cause a loss of income for Tornator, unless there is an agreement on full compensation.

Tornator monitors the current economic trend when planning the volume of plot sales. The business will benefit from a positive trend, low interest rates and a general interest in leisure construction. A poorer trend may decrease the demand for holiday home plots and temporarily reduce profits.

When utilising forest resources Tornator manages risks to the environment by complying with environmental legislation and certification criteria. Risks are discussed in employee training and induction, and minimised with careful planning of operations and a high standard of implementation.

What may also be considered a risk are significant new statutes or other factors impeding operations. In managing risks it is important to co-operate with authorities and various NGOs as well as to participate, for example, in regional planning. Tornator implements an open communication policy with an emphasis on sustainable operations and corporate social responsibility.

Tornator's goal is to continue expanding its operations outside Finland in countries where the growth potential is considered profitable. Geographic expansion is both a positive method of risk management and a risk. The risks of expansion are managed by selecting competent partners and reliable customers, and by balancing out long and short-term timber sales agreements.

Natural phenomena pose a risk to forest assets. For Tornator, the size of its holdings on the one hand, and their geographic extent on the other, intrinsically work as a risk management tool. In addition, Tornator has a Finnish forest insurance policy that covers damage in case of a major incident. However, the company has deemed it unprofitable to insure its forest holdings abroad, because the target countries presently lack an operational forest insurance market.

Operational risks / Tornator manages internal business risks with functional and auditor-approved processes. International expansion disperses risks to property and operations.

Attracting and retaining skilled employees is important in forestry as well. Tornator is prepared for the increasing retirement of forest workers by signing on new contractors and increasing mechanised work. For salaried employees there has been proactive recruiting, which allows experienced employees to pass on their knowhow before retiring.

Financial risks / A substantial proportion of loan capital in the company's balance sheet constitutes a risk which Tornator manages with special attention. Ready access to the capital markets will enable the successful refinancing of the loans in the future. The company has dispersed the risks related to funding by issuing a 7-year bond besides a 5-year bank loan.

The company is prepared for market rate changes with derivative contracts. Hedging is applied to mitigate the interest rate risk on the loans and to reduce the volatility of the discount rate used in calculating the fair value of forests, and therefore it will be easier to predict the development of the company's value in the long term. Liquidity management is based on advance payments and up-to-date cash management. Cash reserves are invested in bank deposits and short-term, highly rated funds.

Tornator manages customer risks by advance payments based on sales agreements. \blacksquare

Board of Directors

Esko Torsti

Born 1964, LicSc (Pol) Chairman 2010– Member 2003–2009 Ilmarinen, Head of Alternatives 2006–

Background:

Pohjola Group plc, Chief Investment Officer 2001–2003 and 2005–2006 Pohjola Asset Management Ltd, President 2003–2005 Ilmarinen, First Vice President, Fixed Income 1998–2001 Skandinaviska Enskilda Banken, Finland, Chief Economist 1996–1998

Membership on other boards of directors:

Desentum Oy, chairman of the Board Fingrid Oyj, member of the Board William and Ester Otsakorpi Foundation, member of the Board

Mikko Koivusalo

Born 1961, MSc (Econ) Deputy Chairman 2010– Member 2006–2010 Varma, Investments Director, Capital Markets 2005–

Background: Varma, Director, Alternative Investments 1997–2005

Membership on other boards of directors: Realia Group Oy, member of the Board

Erkko Ryynänen

Born 1971, MSc (Econ) Member 2010– OP Wealth Management, Insurance and Pension Investments, Director 2014– OP Bank Group Pension Fund and Pension Foundation, Managing Director 2010–

Background:

OP Bank Group Pension Fund and Pension Foundation, Investment Manager 2009–2010 OP-Pohjola Group, Pension and Insurance Institution Investments, Investment Manager 2000–2009

Membership on other boards of directors:

Suomen Metsäsijoitus Oy, member of the Board Porasto Oy, member of the Board Eläkesäätiöyhdistys, member of the Board Amplus Holding Oy, member of the Board Probus Holding Oy, member of the Board



Esko Torsti



Mikko Koivusalo



Erkko Ryynänen



Jyrki Tammivuori



Elina Tourunen

Jyrki Tammivuori

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Born 1971, MSc (Econ) Member 2012– Stora Enso Oyj, Senior Vice President and Group Treasurer 2008–

Background:

Stora Enso Oyj, Acting CFO and Group Treasurer 2013–2014 Stora Enso Oyj, Assistant Treasurer 2006–2008 Stora Enso Oyj, Vice President Risk Management/Treasury Desk (London, UK) 2003–2006 Stora Enso Oyj, Senior Manager/Treasury (Brussels, Belgium) 2000–2003 M-Real Oyj, Trading Manager 1999–2000 Sampo Bank Oyj, Treasury Sales: Assistant Vice President 1997–1999 Enso Oy, Treasury Officer 1995–1997

Elina Tourunen

Born 1980, MSc (Econ) Member 2011– Etera, Head of Private Equity and Debt 2010–

Background:

Etera, Portfolio Manager 2009–2010 Ernst & Young, Transaction Advisory Services, Manager 2005–2009

Membership on other boards of directors:

Anvia Oyj, member of the Supervisory Board

Deputy members

Jari Puhakka, Etera Risto Autio, Varma Jari Pussinen, Pohjola Jari Suvanto, Stora Enso Timo Kärkkäinen, Ilmarinen



Strategic Management Group





Arto J. Huurinainen

Born 1950, MSc (Agr & For) Chief Executive Officer 2002–

Background:

Stora Enso Oyj, Vice President, Resources and Administration 1997–2002 Enso Oy, Regional Manager 1992–1996 Enso-Gutzeit Oy, Internal Auditor 1987–1991 Enso-Gutzeit Oy, Procurement Manager 1987 Plan Sell Oy, Procurement Manager 1982–1986 National Board of Forestry, Planning and Field Manager 1974–1982







Henrik Nieminen

Born 1970, MSc (Econ), EMBA Chief Financial Officer Deputy CEO 2007–

Background:

Tornator Oy, Chief Financial Officer 2002–2006 Stora Enso Ab, Project Director, 2001–2002 Stora Enso Financial Services SA, Director, Finance 2000–2001 Enso Oy, Treasury Manager 1998–2000 Enso Oy, Accounting Analyst 1997–1998



Ari Karhapää

Born 1967, BSc (For) Director, Forestry 2012– Deputy CEO 2014–

Background:

Forest Owners' Union of North Karelia, Executive Manager 2009–2011 Forest Management Association of North Karelia, Executive Manager 2009–2011 Karjalan Metsätilat Oy LKV, Managing Director 2004–2009 Forest Management Association of Border Karelia, Executive Manager 2004–2008 Forest Management Association of Upper Karelia, Executive Manager 2002–2004

Antero Luhtio

Born 1957, MSc (Eng) Director, Real Estate 2014–

Background:

Tornator Oyj, Real Estate Manager 2011–2014 Forest and Park Service / Metsähallitus, Director, Laatumaa Business Unit 1998–2011 Forest and Park Service, Land Use Manager 1995–1998 National Board of Forestry / Forest and Park Service, Surveying Engineer 1990–1995 National Land Survey of Finland, Assistant District Engineer 1988–1990 National Land Survey of Finland, Surveying Engineer 1983–1988

Operational Management Group

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Tornator rearranged its Management Group structure. Besides the Strategic Management Group, it set up an Operational Management Group whose task is to support and deploy the decisions of the Strategic Management Group.

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The Operational Management Group includes

Maarit Sallinen Forestry and Environmental Manager

Kauko Kärkkäinen Resource Manager, Safety Manager

Ari Rekonen Customer Relations Manager

Tuija Luukkanen Corporate Responsibility Manager

Tapio Suutarla Business Controller; Manager, Information Systems

Kimmo Kortelainen Manager, Forest Resource Information

Juha Immonen Manager, Service Business Development

Zoltán A. Kósy Country Manager, Romania Manager, Service Business Development in Europe

Matti Kuusisto Regional Manager, Baltics

Suvi Beloff Accounting Manager

Verso

Tornator's employees

In 2014 the Group had an average of 217 (216) employees, of whom 178 (177) worked in Finland, 4 (4) in Estonia and 35 (35) in Romania. Besides company employees, Tornator used forest service contractors, especially in areas with limited availability of workforce.

The majority of the parent company's employees worked with silviculture, including 103 (100) forest workers and 69 (70) salaried employees at the end of the year. In addition, Tornator outsourced all mechanised work related to silviculture, such as planting, ditch network maintenance and soil preparation, to forest service contractors. The share of outsourced work was 52 (46) percent in artificial regeneration and 21 (29) percent in the tending of seedling stands. In 2014, Tornator had 153 (99) regular contractors. In planting, the share of mechanised work was about 12 (13) percent.

As in previous years, the company received a lot of applications for trainee positions, on the basis of which six persons were selected.

Human resource development focus on FSC certification

The major training project in 2014 dealt with the principles of FSC certification, and it was attended by all employees from the accountants to the forest workers. The training included components on the changes in forest treatment and the information system as well as training on the use of the feedback system. The field part of the training was arranged at the opening of the silvicultural season. In addition, the company arranged three first-aid training sessions during the year.

Leadership coaching, intended for young Forest Management Superintendents, started at the end of the reporting year. The aim is to strengthen the participants' knowledge base in key areas of leadership as well as to increase their self-knowledge.

Early support and intervention adopted

Tornator adopted the model of early support and intervention, aimed at individually providing support to employees in their well-being at work as well as assistance in the identification and evaluation of reduced capacity to work. In addition, an action plan for disability management was prepared for the company, outlining risk factors threatening work ability as well as ways to mitigate them. The objective is to to help the employees remain able and motivated to work until their retirement age.

Financial statements 2014 / Summary of consolidated financial statements 2014

The Tornator Timberland Group reports according to the International Financial Reporting Standards (IFRS). Key figures have been calculated without the effects of the changes in the fair value of biological assets (i.e. forest) and interest rate derivatives on the results. The same applies to the figures for the previous year.

In 2014, the Group's net sales increased by 4.6%, being EUR 90.7 million (86.7). Operating profit without the change in the fair value of biological assets was EUR 62.6 million (65.5). Profit for the period without the change in the fair value of biological assets and derivatives was EUR 29.6 million (31.7). Operating profit was 69.0% (75.6) and profit for the period 32.7% (36.5) of net sales. Return on capital employed stood at 6.5% (7.1) and return on equity at 6.5% (7.0). Dividend yield was 4.8% (14.0).

Timber deliveries totalled EUR 79.2 million (76.6), or 87.3% of net sales. Plot and forestland sales contributed EUR 10.8 million (9.3). In other operating income for the period, EUR 4.3 million (4.8), the most significant item was EUR 1.7 million (2.6) in compensation for conservation areas from the state.

Biological assets, such as growing stock in the case of Tornator, are entered in the balance sheet at market value. The value of the Group's forest assets is based on the discounted cash flow model. The fair value is calculated by a third-party appraiser on the basis of the future cash flows of continuing operations, i.e. considering sustainable forest management and the growth potential of the forests. The new value of the Group's forests in the financial statements was approximately EUR 1,115 million (1,088), including growing stock and land. The figures include the effects of harvesting as well as the purchases and sales of forestland. Long-term market rates declined to a historically low level, which was reflected as a decrease in the fair value of Tornator's financial instruments, and the negative entry amounted to EUR 71.4 million before deferred taxes (+17.1). Tornator's liquidity remained strong throughout the year. The refinancing of the bank debt of EUR 250 million at the end of the period will extend the maturity of the company's loan portfolio and decrease the interest expenses.

At the end of the period, the nominal value of Tornator's loans totalled EUR 522.0 million (500.5) and the net financial expenses without fair value changes were EUR 26.0 million (23.4). The Group's equity ratio on 31 December 2014 was 37.2% (43.0).

The company invested in road construction, ditch network maintenance, IT projects and fertilisation totalling some EUR 3.3 million (3.9). Tornator also purchased new forestlands, mainly in Estonia, for a total of some EUR 28.2 million (7.0).

In 2014, the company paid a total of EUR 22 million (63) in dividends to its shareholders. Tornator's Board of Directors proposed that the spring 2015 Annual General Meeting decide that Tornator pay shareholders a dividend of EUR 4.20 per share, totalling EUR 21 million.

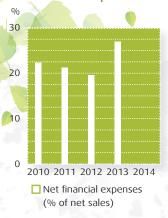
Tornator's personnel in 2014 included an average of 217 (216) employees. ■

Tornator's financing in 2010–2014

Financing, nominal values	2010	2011	2012	2013	2014
	_				
Long-term bonds (€m)	0	0	250.0	250.0	250.0
Long-term bank loans (€m)	377.5	366.4	144.1	141.0	145.5
Long-term debenture loan (€m)	65.0	65.0	65.0	65.0	65.0
Current portion of long-term					
liabilities (€m)	12.0	12.0	4.5	4.5	4.5
Short-term bank loans (€m)	0.0	0.0	0.0	40.0	57.0
All loans, total (€m)	454.5	443.4	463.6	500.5	522.0
Net financial expenses (€m)	17.9	18.2	61.3	6.3	97.5
Net financial expenses					
without fair value changes (€m)	15.8	16.5	16.3	23.4	26.0
Net financial expenses					
without fair value changes (% of net sales)	22.4	21.3	19.6	27.0	28.7
Financial expenses					
for loans, average (%)	3.5	3.7	3.5	5.1	5.2

Net financial expenses

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Consolidated income statement

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Consolidated income statement (€m)	2010	2011	2012	2013	2014
Net sales	70.8	77.7	82.9	86.7	90.7
Other operating income	2.2	10.6	5.4	4.8	4.3
Change in inventories of finished goods and work in progress	-1.2	-3.2	-1.8	0.6	-1.2
Materials and services	-7.5	-7.5	-8.8	-11.4	-12.9
Personnel expenses	-7.2	-7.2	-7.8	-8.7	-9.4
Depreciation, amortisation and impairment charges	-1.0	-1.2	-1.4	-2.0	-2.6
Other operating expenses	-3.6	-4.1	-5.5	-4.6	-6.3
Change in fair value of biological assets	37.9	25.4	8.7	49.2	2.4
Operating profit	90.4	90.5	71.8	114.7	65.0
Financial income	0.4	0.6	0.4	0.4	0.0
Financial expenses	-16.3	-17.1	-16.7	-23.8	-26.1
Change in fair value of financial instruments	-2.1	-1.6	-45.0	17.1	-71.4
Financial expenses (net)	-17.9	-18.2	-61.3	-6.3	-97.5
Profit before taxes	72.5	72.4	10.5	108.4	-32.4
Income taxes	-9.8	-12.9	-11.4	-10.4	-7.0
Change in deferred taxes	-8.8	2.0	8.3	10.1	12.4
Profit for the period	53.8	61.5	7.4	108.1	-27.0

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Balance sheet

Consolidated balance sheet (€m) at 31 Dec	2010	2011	2012	2013	2014
Assets					
Non-current assets					
Intangible assets	0.7	1.1	0.5	4.4	3.7
Fixed assets	72.1	75.5	80.0	78.8	82.9
Biological assets	916.9	950.9	969.2	1,022.7	1,047.4
Derivatives	0.0	0.0	0.0	0.0	8.9
Non-current assets total	989.7	1,027.5	1,049.7	1,105.8	1,142.9
Current assets					
Inventories	0.2	0.1,	0.1	2.4	4.1
Trade and other receivables	3.1	1.6	4.2	3.7	5.4
Other financial assets	21.8	24.2	16.2	7.4	9.6
Cash and cash equivalents	20.3	7.4	34.8	30.3	28.9
Current assets total	45.4	33.3	55.3	43.8	47.9
Total assets	1,035.1	1,060.8	1,105.0	1,149.6	1,190.8
	,	,	,	,	,
Equity and liabilities					
Equity attributable to parent company shareholders					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	365.8	380.4	376.1	427.1	381.0
Total equity	415.8	430.4	426.1	477.1	431.0
Non-current liabilities					
Deferred tax liabilities	129.5	117.4	115.0	107.7	96.0
Financial liabilities	442.5	431.4	457.8	453.0	472.0
Derivatives	0.9	44.0	65.7	45.3	107.6
Other liabilities	0.0	0.0	0.0	0.2	0.3
Non-current liabilities total	573.0	592.7	638.4	606.1	676.0
Current liabilities					
Financial liabilities	12.0	12.0	4.5	44.5	61.5
Derivatives	0.0	0.0	3.8	0.0	0.1
Trade and other payables	34.3	25.7	32.1	21.8	22.1
Current liabilities total	46.3	37.7	40.5	66.3	83.8
Total liabilities	619.3	630.4	678.9	672.5	759.8
Total equity and liabilities	1,035.1	1,060.8	1,105.0	1,149.6	1,190.8



Statement of changes in Group shareholders' equity

Changes in Group equity (€1,000)	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings	Total equity
Balance at 1 Jan 2014	50,000.0	29,995.2	-6,846.8	-12,983.2	416,955.0	477,120.2
Comprehensive income: Profit for the period Other items of comprehensive income (after taxes): Remeasurement of					-27,016.5	-27,016.5
net defined benefit liability (asset) Translation differences Available-for-sale financial assets Cash flow hedges			-113.6	-140.0 0.8 3,165.1		-140.0 -113.6 0.8 3,165.1
Comprehensive income for the period	50,000.0	29,995.2	-6,960.4	-9,957.3	389,938.5	453,016.0
Transactions with shareholders: Dividends paid Total transactions with shareholders	0.0	0.0	0.0	0.0	-22,000.0 -22,000.0	-22,000.0 -22,000.0
Balance at 31 Dec 2014	50,000.0	29,995.2	-6,960.4	-9,957.3	367,938.5	431,016.0

Changes in Group equity (€1,000)	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings	Total equity
Balance at 1 inc 2012	50,000,0	20.005.2	(025 2	10.050.0	271 004 4	425,005,4
Balance at 1 Jan 2013	50,000.0	29,995.2	-6,935.2	-19,058.8	371,904.4	425,905.6
Company has size in some						
Comprehensive income:						
Profit for the period					108,118.8	108,118.8
Other items of comprehensive income (after taxes):						
Remeasurement of						
net defined benefit liability (asset)					-68.2	-68.2
Translation differences			88.4			88.4
Available-for-sale financial assets				-89.0		-89.0
Cash flow hedges				6,164.6		6,164.6
Comprehensive income for the period			88.4	6,075.6	108,050.6	114,214.6
					,	,
Transactions with shareholders:						
Dividends paid					-63,000.0	-63,000.0
Total transactions with shareholders					-63,000.0	-63,000.0
					-03,000.0	-03,000.0
Balance at 31 Dec 2013	50,000.0	29,995.2	-6,846.8	-12,983.2	416,955.0	477,120.2

Consolidated cash flow statement

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Consolidated cash flow (€m)	2010	2011	2012	2013	2014
Cash flow from operating activities					
Cash receipts from customers	65.8	59.1	79.2	68.1	76.9
Proceeds from sale of tangible and intangible assets	10.5	12.6	9.4	9.5	11.1
Cash receipts from other operating income	1.6	10.8	5.6	4.8	4.2
Cash paid to suppliers and employees	-17.4	-19.8	-22.4	-25.4	-27.2
Cash generated from operations	60.6	62.8	71.7	57.0	65.0
Interest paid and other financial expenses	-16.1	-16.7	-20.0	-21.8	-25.3
Interest received	0.5	0.6	0.4	0.4	0.0
Income taxes paid	-11.2	-13.4	-13.0	-10.5	-6.9
Net cash flow from operating activities total	33.8	33.3	39.2	25.0	32.8
Cash flow from investing activities					
Investments in biological assets	-3.8	-12.8	-10.8	-6.2	-25.1
Investments in tangible assets, forestland	-0.5	-1.6	-1.3	-0.8	-3.1
Investments in other tangible assets	-2.9	-4.3	-4.1	-3.9	-3.3
Other investments	-2.5	-2.5	0.0	0.0	-2.2
Proceeds from sale of other investments	0.0	0.0	8.5	8.7	0.0
Net cash flow from investing activities total	-9.7	-21.2	-7.7	-2.2	-33.7
Cash flow from financing activities					
Withdrawal of long-term loans	0.0	0.5	395.5	0.0	150.0
Repayment of long-term loans	-12.1	-12.0	-366.0	-4.4	-145.6
Withdrawal of short-term loans	0.0	0.0	4.5	40.0	17.0
Repayment of short-term loans	0.0	0.0	-12.1	0.0	0.0
Dividends paid	-13.5	-13.5	-26.0	-63.0	-22.0
Net cash flow from financing activities total	-25.6	-25.0	-4.1	-27.4	-0.6
Net increase/decrease in cash and cash equivalents	-1.4	-12.9	27.4	-4.6	-1.4
Cash and cash equivalents at beginning of period	21.6	20.3	7.4	34.8	30.3
Cash and cash equivalents at end of period	20.3	7.4	34.8	30.3	28.9

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Sammary

Summary of financial statements The Tornator Timberland Group reports according to the International Financial Reporting Standards (IFRS).

Summary of financial statements	2010	2011	2012	2013	2014
Net sales (€m)	70.8	77.7	82.9	86.7	90.7
Operating profit (€m)	90.4	90.5	71.8	114.7	65.0
Operating profit without change in fair value of					
biological assets (€m)	52.5	65.2	63.1	65.5	62.6
Operating profit without change in fair value of					
biological assets (% of net sales)	74.2	83.8	76.1	75.6	69.0
Profit for the period (€m)	53.8	61.5	7.4	108.1	-27.0
Profit for the period without fair value changes (€m)	27.3	35.7	35.4	31.7	29.6
Profit for the period without fair value changes ($\%$ of net sales)	38.6	45.9	42.7	36.5	32.7
Charabeldors' aquity (Cm)	415.0	420.4	426.1	477 1	421.0
Shareholders' equity (€m) Interest-bearing net liabilities (€m)	415.8 412.4	430.4	426.1 411.3	477.1	431.0
Balance sheet total (€m)	1,035.1	411.7		459.8	495.0
Balance sheet total (€III)	1,055.1	1,060.8	1,105.0	1,149.6	1,190.8
Return on capital employed without change in fair value of					
biological assets (%)	6.2	7.4	7.1	7.1	6.5
Return on equity without fair value changes (%)	6.8	8.6	8.3	7.0	6.5
Equity ratio (%)	41.8	41.9	40.1	43.0	37.2
Dividends paid (€/share)	2.7	2.7	5.2	12.6	4.4
Dividend yield (%)	3.2	3.1	6.1	14.0	4.8
Average number of employees	193	197	211	216	217
Personnel expenses (% of net sales)	10.2	9.3	9.4	10.0	10.4
Investments in forestland (€m)	4.2	14.3	12.1	7.0	28.2
Investments in other fixed assets (€m)	2.9	4.3	4.1	3.9	3.3
Sales of cutting rights (million cubic metres)	2.4	2.0	2.5	2.6	2.6
Annual cut (million cubic metres)	2.3	2.4	2.6	2.8	2.8
			505.0	500 5	(17.0
Book value of forests (€m)	567.5	577.1	587.9	592.7	617.8
Fair value of forests (€m)	979.4	1,014.4	1,033.8	1,087.9	1,115.4
Gross proceeds from sale of land (€m)	10.5	12.6	9.2	9.3	10.8
Financing, nominal values					
Long-term bonds (€m)	0	0	250.0	250.0	250.0
Long-term bank loans (€m)	377.5	366.4	144.1	141.0	145.5
Long-term debenture loan (€m)	65.0	65.0	65.0	65.0	65.0
Current portion of long-term liabilities (€m)	12.0	12.0	4.5	4.5	4.5
Short-term bank loans	0.0	0.0	0.0	40.0	57.0
All loans, total (€m)	454.5	443.4	463.6	500.5	522.0
Net financial expenses (€m)	17.9	18.2	61.3	6.3	97.5
Net financial expenses without fair value changes (€m)	15.8	16.5	16.3	23.4	26.0
Net financial expenses without fair value changes (% of net sale	,	21.3	19.6	27.0	28.7
Financial expenses for loans, average (%)	3.5	3.7	3.5	5.1	5.2

Calculation of key figures

Return on equity (%) =

Profit for the period x 100 Equity

Return on capital employed (%) =

Operating profit + Interest income x 100 Balance sheet total – Interest-free liabilities

 $\frac{\text{Dividends paid}}{\text{Equity}} \times 100$ Dividend yield (%) =

Equity ratio (%) =

Equity x 100 Balance sheet total – Advances received

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The status and opportunities of wood construction in Finland

Wood construction as part of the forest industry

The forest sector is extremely important for Finland's national economy: it accounts for one fifth of the country's export income and five percent of the gross domestic product of the entire country, employs some 200,000 Finns, and produces around 70 percent of the renewable energy in Finland.

Every year, Finland's forests grow and produce nearly 110 million cubic metres of wood, of which about 60 percent has been utilised industrially in recent years. The utilisation of wood could be significantly increased (by some 20 million cubic metres per year) through, for example, use for bioenergy, for construction purposes, in the wood products industry and for various bio-based products. Approximately four fifths of the sawn timber consumed in Finland is used for construction purposes. Housing construction plays a key role in construction: residential buildings account for more than 70 percent of Finland's building stock.

In Finland, the greatest potential for growth in wood construction lies in the building of multi-storey structures, public buildings and hall-like buildings; bridges; landscape construction; energy efficiency upgrades to the facades of existing suburban concrete blocks of flats; construction of additional storeys; and in-fill development.

Wood construction as part of climate change prevention

As global climate, environment and natural resource issues gain in significance, the wood construction sector aims to open up new markets even in Finland.

New energy efficiency regulations entered into force in Finland on 1 July 2012. These included primary energy coefficients for assessment of the total energy consumption of buildings. The purpose of these regulations is to guide toward increasing use of renewable energy for heating and cooling of buildings.

According to forecasts, in 2015–2017, Finland's National Building Code will take into account the environmental impacts caused by the production of many types of building materials and those resulting from construction. In this respect, wood as a local, renewable and environmentfriendly energy source and a construction material of domestic origin will be an increasingly competitive raw material.

Development of multi-storey wooden buildings

In Europe, Finland is second to Spain in the ratio of blocks of flats to population: some 43 percent of all residences in Finland are in multi-storey buildings. Of new-build dwellings, some 13,000–15,000 residences per year are still built in multi-storey buildings. Concrete has dominated the multi-storey building market for the past 50 years. According to the fire codes currently in force in Finland, residential buildings and office premises with a wooden frame and façade can be built to eight storeys.

Final breakthrough of multi-storey timber frame buildings

So far, 39 residential multi-storey wooden buildings of more than two storeys have been constructed in Finland, for 753 residences in total. Another 450 residences are under construction, and some 1,500 new ones are scheduled to start in 2015. In addition, the new residential multi-storey wooden building projects now pending in various parts of Finland account for over 6,000 flats. Wooden school buildings are also becoming more common with a view to a healthy and comfortable indoor climate.

The National Wood Construction Programme

The Ministry of Employment and the Economy has launched its National Wood Construction Programme under the Strategic Programme for the Forest Sector, 1 January 2012 – 30 September 2015. The goal of the programme is to diminish the carbon footprint of construction by significantly increasing the use of domestic wood in building. The government wants to promote wood construction also for regional economy and employment. Increasing wood construction can contribute to increasing the demand and export opportunities for wood products, thereby creating nearly 6,000 new jobs in Finland.

Organised education and co-operation in wood building

Education in wood building is going to be updated at all levels in Finland if it is to be able to respond to the demand for large-scale wood building. An additional aim is to streamline, harmonise and increase the efficiency of project, research and development activities in wood building on the national level, by enhancing co-operation and communication among those active in the field.

Investments to promote the wood products industry

Solid competitiveness is the fundamental prerequisite for the internationalisation and growth of the wood products industry. To promote both competitiveness and growth, a common service platform (www.woodproducts.fi) has been established for companies in the industry, and the construction of a strong wood products brand is under way. In addition, growth company and driver company models are to be created in the wood products industry to enhance competitiveness in the field and to integrate actors' expertise in production, product development, networking and markets. State authorities and businesses have collaborated in making export promotion more systematic and efficient.



Che year 2014 in brief

21 January 2014: Tornator Oyj and the NATNET Life+ project sign a METSO conservation agreement on an area of some 83 hectares at Kätkävaara, Tervola.

> **19 February 2014:** A significant conservation area is established at Horinvuori, Laukaa. The conservation decision focuses on restricting activities that threaten the

natural state of habitat types.

20 May 2014:

Tornator Oyj and Blom Kartta Oy sign an agreement for extensive co-operation in remote sensing based forest inventory. Lasting until 2016, the project will cover about 200,000 hectares of Tornator's forests in various parts of Finland.

> **30 September 2014:** Tornator establishes two new METSO conservation areas, located at Hällämöharju in Vieremä and the Stockfors estate in Pyhtää.

2 December 2014 Tornator refinances its bank debt of EUR 250 million.

17 December 2014: Nordisk Vindkraft and Tornator sign a joint venture agreement for wind power, aimed at implementing some 200 wind turbines on Tornator's land.

21 November 2014:

The forestry company Tornator receives an FSC (Forest Stewardship Council®) certificate for its forests in Finland. The forest management certificate covers all of the company's forests in Finland, totalling some 600,000 hectares. Tornator's forests have already been certified to the PEFC standard (Programme for the Endorsement of Forest Certification).

15 December 2014:

Tornator Eesti OÜ becomes Estonia's largest private landowner. It purchases some 13,000 hectares of forestland from the Estonian Timberland Fund, which is administered by Northern Star AS, thereby owning a total of more than 40,000 hectares of agricultural and forestry land in Estonia.





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